



Performance of Lic and Private Insurers: an Analysis

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ABSTRACT

The objective of present study is to analyze the performance of LIC and private life insurers in terms of their number of new policies issued, total premium income and market share in India. The secondary data has been collected for one and half decade i.e. from year 2000-01 to 2014-15. The doors for private life insurers were opened by the Malhotra Committee who emphasized on privatization of life insurance business. Since emergence of private insurers it has been observed that the private insurers tried to improve year after year and affected the performance of LIC for initial first decade in different areas like new policy issued, total premium income and market share of insurers. To overcome from this situation LIC adopted new strategies like introducing new and attractive insurance plans, better customer relationship management and effective advertising to regain its position. There is big opportunity in India for life insurance as it has huge population and untapped market.

KEYWORDS : Life insurers, Liberalization, privatization, Performance, Competition

Introduction

Life insurance is a growing sector in India now a day, where many national and international players are participating in this business. There was monopoly of LIC before liberalization but after establishment of Insurance Regulatory and Development Authority (IRDA) there are many private insurers started their business in this sector with foreign collaborations. After Indian economic reform 1991 which is commonly known by LPG model (Liberalization, Privatization, and Globalization) there was significant improvement in this industry as private insurers increased the competition with LIC. After privatization there has been a dynamic change which shows phenomenal growth in this sector. Most of the private insurers are having joint ventures with renowned foreign players across the world. Till date there are 24 life insurers are competing among themselves. Through this level of competition some developments has been experienced by insurance industry these are wide range of insurance plans, insurance awareness through increased level of advertising, improved insurance penetration and contribution of the industry in increasing GDP.

Review of Literature

C. Barathi, C. D. Balaji and Ch. Ibohal Meithei (2011), in the research paper titled "Innovative Strategies to Catalyse Growth of Indian Life Insurance Sector- an Analytical Review" have clearly discussed about the impact of global recession on the fastest growing Indian insurance market. They find the entry of many private companies has created a paradigm shift in insurance marketing in India in terms of products, tariffs; customer service etc. Chatterjee. P (2009) evidently said private insurers recorded 62% growth rate in April-December 2008 against 45% in the same period of last fiscal. ICICI Prudential, HDFC Standard, SBI Life and Bajaj Allianz are the dominant players of the life Insurance sector. LIC a market leader recorded a decline of 28% and experts said the Industry has witnessed a reasonable growth despite the tight financial conditions. Krishnamurthy S, Jhaveri. N, Bakhshi. S. (2005), in their paper clearly explained the status and growth of Indian Insurance Industry after liberalization and also presents future challenges and opportunities linked with the Insurance.

Rajasekar D and T.H.Kumari (2014), the market share of the entire private players has sharply risen with the entry of private players in life insurance market. This indicates that the private players are doing quite well and are improving year by year, thus affecting the performance of LIC. Rao Divakara P (2015), Number of policies has subsequently increased year after year but the performance of LIC has deteriorated and those of private players have been improved tremendously. Though the income of private insurance companies is negligible when compared with LIC but then also the pace with which they are increasing their income is tremendous. Private insurance companies are expanding their business and will certainly going

to give a tough competition to LIC in the coming days. LIC, being the oldest player in the existing insurance market, has the biggest market share of 64.39% which was 99% in the year 1999-2000.

S. Kapse and Kodwani D.G (2003), in their article, argued that in the changing scenario for the insurance sector there is going to be a good opportunities for insurance sector to expand its market base. For this purpose there is need to improve the features of the insurance products to make them more liquid or short term schemes could be increased.

Tripathi. S (2009), in his dissertation report mentioned that Private companies are giving direct competition to LIC, LIC is a dominating player even after privatization and abundance scope of insurance expansion in the Indian market, LIC is having huge customer base being an old giant are some of the main findings of this study. He concluded that LIC is a most popular and leading brand but with aggressive marketing approach; private companies are giving direct competition to LIC.

Objectives of the study

- To analyze the impact of liberalization on Indian life insurance sector.
- To compare the performance of LIC and private life insurers.

Research Methodology

The present study is based on secondary data. The data was collected for one and half decade i.e. from year 2000-01 to 2014-15. The performance of life insurance sector is analyzed by way of percentages in respect of new life insurance policies issued by the companies, premium income, and market share.

Performance of Life Insurance Sector

Government of India opened up the life insurance sector by allowing private insurers and also allowed foreign direct investment up to 26%. Year 2010 was a landmark year in Indian insurance sector as it completed a decade since the entry of private insurers in this sector.

Life Insurers Operating in India

The government of India opened the entry for private insurers in the year 2000. The number of private insurers increased from 4 in the year 2001 to 23 in the year 2015. At present, there are 24 life insurers in India doing their business.

Number of New Life Insurance Policies

Number of new life insurance policies issued by insurer is an important indicator of growth and performance of the insurance companies. The table 2 shows the number of new policies issued by life in-

insurance insurers from year 2001-02 to 2014-15.

Table 2: Number of New policies Issued (in Lakhs)

Year	Insurers		Total
	Public (LIC)	Private	
2001-02	232.75	---	232.75
2002-03	245.46 (96.75)	8.25 (3.25)	253.71 (9.03)
2003-04	269.68 (9.87)	16.59 (101.05)	286.27 (12.83)
2004-05	239.78 (-11.09)	22.33 (34.62)	262.11 (-8.44)
2005-06	315.91 (31.75)	38.71 (73.37)	354.62 (35.29)
2006-07	382.29 (21.01)	79.22 (104.64)	461.52 (30.14)
2007-08	376.13 (-1.61)	132.62 (67.4)	508.74 (10.23)
2008-09	359.13 (-4.52)	150.11 (13.19)	509.23 (0.10)
2009-10	388.63 (8.21)	143.62 (-4.32)	532.25 (4.52)
2010-11	370.38 (-4.70)	111.14 (-22.61)	481.52 (-9.53)
2011-12	357.51 (-3.47)	84.42 (-24.04)	441.93 (-8.22)
2012-13	367.82 (2.88)	74.05 (12.28)	441.87 (-0.01)
2013-14	345.12 (-6.17)	63.60 (-14.11)	408.72 (-7.50)
2014-15	201.71 (-41.55)	57.37 (-9.79)	259.08 (-36.61)

Figure in brackets indicates the growth over the previous years

The performance of LIC in terms of new policies business has initially increased for first two years than there was a negative growth for year 2004-05 by -11.09%, again for another two years there was a growth in new policies business. From year 2007-08 to 2014-15 there was continuous decrease in new policies except in year 2009-10 and 2012-13, year 2014-15 is very discouraging as there was very negative growth (-41.55) in LIC's new policies.

There was continuous growth in private insurers' new policies issued since its inception to year 2008-09 it reached from 8.25 lakh policies to 150.11 lakhs. From year 2009-10 to 2014-15 there was continuous negative growth i.e. from 150.11 lakh policies to 57.37 lakh policies.

Premium Income

It is a fact that premium considered as a major source of income of life insurers therefore it is the most important indicator of the performance of insurance business. The table 3 shows the total premium income of LIC and private insurers during year 2001-02 to 2014-15.

Table 3: Life Insurance premium

Year	Insurers		Total
	Public (LIC)	Private	
2000-01	34892.02	6.45	34898.47
2001-02	49821.91 (42.79)	272.55 (4124.31)	50094.46 (43.54)
2002-03	54628.49 (9.65)	1119.06 (310.59)	55747.55 (11.28)
2003-04	63533.43 (16.3)	3120.33 (178.83)	66653.75 (19.56)
2004-05	75127.29 (18.25)	7727.51 (147.65)	82854.80 (24.31)
2005-06	90792.22 (20.85)	15083.54 (95.19)	105875.76 (27.78)
2006-07	127822.84 (40.79)	28253.00 (87.31)	156075.84 (47.41)
2007-08	149789.99 (17.19)	51561.42 (82.50)	201351.41 (29.01)

2008-09	157288.04 (5.01)	64497.43 (25.09)	221785.47 (10.15)
2009-10	186077.31 (18.30)	79369.94 (23.06)	265447.25 (19.69)
2010-11	203473.40 (9.35)	88131.60 (11.04)	291605.0 (9.85)
2011-12	202889.28 (-0.29)	84182.83 (-4.52)	287072.11 (-1.57)
2012-13	208803.58 (2.92)	78398.91 (-6.87)	287202.49 (0.05)
2013-14	236942.30 (13.48)	77340.90 (-1.35)	314283.20 (9.43)
2014-15	239667.65 (1.15)	88433.49 (14.32)	328101.14 (4.39)

Figure in brackets indicates the growth over the previous years

Source: IRDA Annual Reports various issues from 2001-02 to 2014-15

It is clear from the table that the total premium income of LIC in year 2000-01 was Rs. 34892.02 crores and it reached up to Rs. 239667.65 crores in 2014-15 with a constant growth. In case of private insurers total premium income was 6.45 crores in year 2000-01 and it reached up to Rs 88433.49 crores in 2014-15.

The growth in the total premium income of LIC was recorded maximum in the year 2001-02 i.e. 42.79% and in year 2006-07 it was 40.79%. After year 2006-07 there was very slow growth rate in it over the previous years. In case of private insurers it was recorded maximum 4124.31% in 2001-02. From year 2002-03 this growth rate has been continuously decreased in every successive year as compare to previous year.

Market Share

Market share is also an important parameter of performance of life insurers. It represents the percentage of an industry's total sales earned by a particular company over a specified time period. Table 4 shows the market share in terms of total premium of both LIC and private insurers from the period 2001-02 to 2014-15.

Table 4: Market Share of LIC and Private Insurers

Financial Year	Public	Private
2001-02	99.46	0.56
2002-03	97.19	2.01
2003-04	95.29	4.71
2004-05	90.67	9.33
2005-06	85.75	14.25
2006-07	81.90	18.10
2007-08	74.39	25.61
2008-09	70.92	29.08
2009-10	70.10	29.90
2010-11	69.77	30.23
2011-12	70.68	29.32
2012-13	72.70	27.30
2013-14	75.39	24.61
2014-15	73.05	26.95

Source: IRDA Annual Reports various issues from 2001-02 to 2014-15

It reveals from the table no. 4 that the market share of the private insurers has been increased rapidly from 0.56% in 2001-02 to 30.23% in 2010-11, there was slight decrease in market share in 2011-12 to 2014-15. In contrast market share of LIC has been constantly decreased from 99.46% in 2001-02 to 69.77% in 2010-11; there is slight increase in market share in 2011-12 to 2014-15. It indicates that the private insurers tried to improve year after year and affected the performance of LIC for initial first decade.

Conclusion

Saturation of insurance market in many foreign countries has made Indian insurance market more attractive for foreign insurers and that is why Indian insurance industry has become a growing industry with many domestic and international players. This level of competition has increased the number of innovative and attractive insurance plans, better customer services and increased insurance awareness in India. Life insurance industry will grow with a good pace over the next many years as there is huge population in our country and a big untapped market.

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